

**MAYOR BUDGET SPEECH**

**2017/2018 FINANCIAL YEAR**

**30 MAY 2017**

Speaker

Chief Whip of the governing party

Members of the Mayoral committee

All Councillors

Acting Municipal Manager and senior management

Managers

Ward Committee Members

Community leaders and Members of the public

Members of the media who are present

Ladies and Gentlemen

Welcome to the council meeting of 30 May 2017.

Please allow me to present the 2017/2018 budget of the Dawid Kruiper Municipality.

Council approved a Budget Process Plan at the end of August 2015 with regard to the compilation and approval of the 2017/2018 operating and capital budget; and, the processes to follow to comply with the requirements of the Municipal Finance Management Act (MFMA). One of the key deadlines in this process is the approval of a final operating budget and a final capital budget, as required by the MFMA and its Budget and Reporting Regulations.

We as Council have a significant role to play in strengthening the link between the citizen and local government's overall priorities and spending plans. The goal should be to enhance service delivery aimed at improving the quality of life for all people within the Dawid Kruiper Municipality. Budgeting is primarily about the choices that the municipality has to make between competing priorities, available financial resources and fiscal realities. The challenge is to do more with the available resources. We need to remain focused on the effective delivery of the core municipal services through the application of efficient and effective service delivery mechanisms.

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate,

funds were transferred from low- to high-priority programs so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on non-core items. This has resulted in savings to the municipality.

The municipality has embarked on implementing a range of revenue collection strategies to collect debt owed by consumers. Furthermore, the municipality has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

The main challenges experienced during the compilation of the 2017/2018 Medium-Term Revenue and Expenditure Framework can be summarised as follows:

- The on-going difficulties in the national and local economy;
- Aging water, sewerage, roads and electricity infrastructure;
- The need to reprioritised projects and expenditure within the existing resource envelope given the cash flow realities;
- The increased cost of bulk water and electricity (due to tariff increases from Department of Water & Sanitation and Eskom), which is placing upward pressure on service tariffs to residents. Continuous high tariff increases are not sustainable – as there will be point where services will no-longer be affordable;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies; and
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2017/2018 Medium-Term Revenue and Expenditure Framework.

The following budget principles and guidelines directly informed the compilation of the 2017/2018 Medium-Term Revenue and Expenditure Framework:

- The 2016/2017 Adjustments Budget priorities and targets, as well as the base line allocations contained in that Adjustments Budget were adopted as the upper limits for the new baselines for the 2017/2018 final annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI; except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the wage negotiations as well as cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;
- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;
- The amalgamation of the former //Khara Hais and Mier Municipalities in the 2016/2017 financial year, has also put immeasurable strain on the 2017/2018 Final budget.
- Expenditure on certain items were limited, for example:
  - Special Projects;
  - Consultant Fees;
  - Furniture and office equipment;
  - Special Events;
  - Refreshments and entertainment;

- Donations;
- Ad-hoc travelling; and
- Subsistence, Travelling & Conference fees

Due to changes in the accounts brought about by Municipal Standard Chart Of Accounts (mSCOA) as well as the merger between the former //Khara Hais and Mier Municipalities, no comparative totals for 2016/2017 are available.

Dawid Kruiper Municipality will continue to improve the quality of services provided to its citizens, but in order to do that, it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with immense service delivery backlogs and extreme levels of unemployment and poverty. The expenditure required to address these challenges will inevitably always exceed available funding. Hence difficult choices have to be made in relation to tariff increases and balancing expenditure against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in the municipality and continued economic development;
- Efficient revenue management, which aims to ensure a 98 percent annual collection rate for property rates and other key service charges;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);

- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Determining the tariff escalation rate by establishing / calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act (Act 6 of 2004);
- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of "free" basic services; and
- Tariff policies of the municipality.

The relevant legislation that was considered were:

Section 16(2) of the MFMA requires from the Mayor to table a final capital and operating budget to Council 30 days before the start of a financial year.

The inputs were received from the Directorates and combined in the Final budgets (Operational, Capital and Proposed Tariffs) and related policies.

There was also a public participation process which unfolded.

Comments and inputs were received during the public participation process, but most questions during the public participation meetings related to day-to-day service delivery problems and not necessarily to the budget that was presented.

The following written inputs were received:

- Residents of Lemoendraai requested that their roads will be paved/tarred;

- Residents from Kalksloot/Sesbrugge wanted to know when a Sewerage oxidation pond will be build for their area;
- Residents from various newly-formed informal settlements wanted to know when they will receive electricity.

Income is distributed per Directorate for the 2017/2018 financial year as follows:

Corporate Services:	R 17.5 million
Financial Services:	R 239.9 million
Community Services:	R 40.7 million
Electro Mechanical Services:	R 278.9 million
Civil Engineering Services:	R 100.9 million
Development and Planning Services:	R 10.7 million

The following key projects will be funded from grants during the 2017/2018 financial year:

<b>PROJECT NAME</b>	<b>AMOUNT</b>
Construction of new oxidation ponds in Askham	R 142,000
Construction of new oxidation ponds in Loubos	R1.2 million
Upgrading of gravel roads to paved roads in Klein Mier	R 225,000
Development of new sports grounds (throughout the municipality)	R 5.1 million
Upgrading of Internal Streets in Loubos	R 2.7 million
Askham/ Kameelduin internal streets phase 2	R 3.4 million
Bulk water sewer provision for Melkstroom	R 3.6 million
Bulk water provision for Melkstroom	R 4.7 million
Electricity efficient demand supply management	R 4.3 million
Electrification of 1000 houses	R 14.9 million
Installation of communal stand pipes in various areas (EPWP grant)	R 1.2 million
Augmentation of water supply in Noenieput	R 3.4 million
Augmentation of water supply in Welkom	R 780,000
Installation of communal stand pipes (WSIG grant)	R 1.9 million



Furthermore, an amount of R10 million will be funded from external loans for the rehabilitation of tar roads.

The budget for purchasing of vehicles amounts to R6.3 million, which will be funded from own funds. A number of other smaller projects will also be funded from own funds.

The tariff increase for property tax, water, sewerage and refuse removal will be 6.5 percent. This is 1 percent lower compared to the increase of last year.

Electricity tariffs will increase by 1.88 percent.

Speaker, you will notice from the abovementioned figures that we have considered the recently amalgamated Mier Municipality in the spread of projects over the new Dawid Kruiper Municipality.

In summary, our Capital budget will be:

R 33.5 million to be funded from own funds

R 10 million will be funded from external loans

R 48.3 million will be funded from grants

The TOTAL Capital Budget for the 2017/2018 financial year is about

R 91.8 million

The TOTAL Operational Budget for the 2017/2018 financial year is about

R 663 million

That gives us a Total budgeted for the 2017/18 financial year of approximately R754 million.

I want to thank all councilors and officials who were involved in the budget process to put such product on the table. We would also like to thank our communities for their valuable inputs during this process.

Speaker, I take pleasure in presenting this budget speech and the Medium-Term Revenue and Expenditure Framework (MTREF) for the 2017/2018 financial year to council for consideration and approval.

I thank you